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SUBJECT: CSU UNITES BY STRESSING BAVARIAN DIFFERENCES WITH BERLIN

SENSITIVE BUT UNCLASSIFIED. NOT FOR INTERNET DISTRIBUTION.

REF: (A) Munich 102; (B) Munich 130

SUMMARY

¶11. (SBU) The Bavarian sister party to Chancellor Merkel's Christian Democrats (CDU), the Christian Social Union (CSU), held a special closed-door meeting for its leadership to address voter discontent and the appearance of divisions among the party leadership. The CSU's leaders emerged from the meeting showing a united front, but promoting plans to highlight differences with Merkel's Grand Coalition government where Bavarian interests appear threatened. The strategy is aimed at ensuring that the CSU maintains its long-held absolute majority in the fall state elections, and that CSU party chief Erwin Huber keeps his job. CSU politicians believe that it is in the interests of the CDU for the CSU to bolster its standing in Bavaria, even if it requires criticizing the national Grand Coalition to do so. End summary.

THE SPRING OF THE CSU'S DISCONTENT

¶12. (SBU) The leadership of the CSU held a closed-door meeting at the Bavarian alpine resort of Wildbad Kreuth April 4-5 to address a perceived "crisis of confidence" on the part of CSU voters resulting from a stream of negative news that has plagued the party in recent months. The party's woes came into clear relief following the CSU's worst municipal election performance in forty years on March 2 (Ref A), leading to media speculation of a rift between Bavarian Minister-President Guenther Beckstein and CSU Chairman Erwin Huber, and a simmering "revolt" among the party's rank-and-file. Some had even speculated that Federal Agriculture Minister Horst Seehofer would be brought home from Berlin to replace Huber as party chief.

¶13. (SBU) The March 2 municipal elections exposed a general voter discontent with the status quo, rather than any single "hot button" issue. Among the issues contributing to voters' sense of malaise: Bavaria's tough smoking ban that went into effect at the beginning of the year, but was subsequently watered-down to placate smokers; Bavarian officials handling of state bank BayernLB's 4.3 billion euros in subprime-related losses (with Huber, as Finance Minister, sitting on the bank's supervisory board and a state legislature committee set to investigate -- see Ref B); the collapse of the planned, but unpopular "Transrapid" maglev train project between the Munich airport and main train station due to spiraling costs (Huber's pet project); and frustration over state educational reforms. Additionally, Bavarian voters have expressed frustration with certain federal policies undertaken by the Grand Coalition in Berlin, including health care reform and increased taxes.

¶4. (SBU) Some public opinion polls have recently predicted the CSU may get only about 50 percent of the vote in the September 28 state elections, in contrast to the party's 2003 result of 60 percent, which gave the party a two-thirds majority in the state legislature (Landtag) [Note: the two-thirds majority is due to the CSU receiving a portion of the votes from smaller parties that did not meet the threshold to enter the Landtag. End note]. Meanwhile, both the "Independent" party and the Free Democratic Party (FDP) have legitimate hopes of winning enough votes to meet the five percent threshold necessary to enter the Landtag this fall, and would primarily gain seats from the CSU -- leaving many of the CSU's 124 Landtag deputies, particularly those without constituencies, feeling vulnerable.

HIGHLIGHTING DIFFERENCES WITH BERLIN

¶5. (SBU) Despite speculation over internal party divisions, the CSU's leadership emerged from its Wildbad Kreuth session displaying a united front, and vowing to go on the offensive in the face of the fall elections. While sidestepping the party's problems at the state-level, CSU Chief Huber announced a strategy aimed at demonstrating that the CSU puts Bavaria first by sharpening the party's profile on federal issues. Huber promised to submit a reform paper aiming at lower taxes and a reintroduction of a tax deduction for commuters. CSU leaders also are pushing for an amendment of the federal health care reform agreed to by the Grand Coalition, should the reform result in Bavaria having to pay more than 100 million euros per year into the federal healthcare system.

¶6. (SBU) CSU Deputy Political Director and Foreign Policy Advisor Oliver Weiler told Congen Munich that while he understands how the outcome of the Kreuth meeting could possibly be interpreted as undercutting the Chancellor's agenda, it is ultimately in the

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Chancellor's, and CSU sister party CDU's interest to have a strong CSU representing the CDU/CSU's southern tier. For the CSU to remain a strong coalition partner, said Weiler, "it must represent Bavaria's interests."

COMMENT

¶7. (SBU) The outcome of the Wildbad Kreuth meeting is consistent with what we have come to expect from the CSU: at the end of the day, putting aside divisions (at least publicly), and demonstrating party loyalty and discipline with a goal of the CSU winning at least 50 percent of the vote in the next election. Huber's strategy of highlighting differences with the Grand Coalition should come as no surprise. His mandate as CSU Chairman is to ensure that the CSU holds on to its absolute majority in Bavaria -- something the party has done for nearly half a century. If that means distancing the party from earlier grand coalition agreements, so be it -- the CSU would not be taken to task by its voters for abandoning Berlin or the Grand Coalition, but it surely would for being seen as abandoning Bavaria. End comment.

¶8. (U) This report has been coordinated with Embassy Berlin.

¶9. (U) Previous reporting from Munich is available on our SIPRNET website at www.state.sgov.gov/p/eur/munich/ .

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